

VZCZCXYZ0000
PP RUEHWEB

DE RUEHVL #0419/01 2171451
ZNY CCCCC ZZH
P 051451Z AUG 09
FM AMEMBASSY VILNIUS
TO RUEHC/SECSTATE WASHDC PRIORITY 3662
INFO RUEHBUL/AMEMBASSY KABUL PRIORITY 0082
RUEHMO/AMEMBASSY MOSCOW PRIORITY 2703
RUEHRA/AMEMBASSY RIGA PRIORITY 3620
RUEHTL/AMEMBASSY TALLINN PRIORITY
RUEHWR/AMEMBASSY WARSAW PRIORITY 3794
RUEHNO/US MISSION USNATO BRUSSELS BE PRIORITY

C O N F I D E N T I A L VILNIUS 000419

SIPDIS

E.O. 12958: DECL: 08/05/2019

TAGS: [PREL](#) [ECON](#) [LH](#)

SUBJECT: SCENESETTER FOR A/S GORDON'S VISIT TO LITHUANIA

Classified By: Charge d'Affaires Damian R. Leader for reasons 1.4 (b) and (d).

¶1. (C) Summary: Your visit to Lithuania provides an opportunity to reinforce the United States' commitment to an already strong bilateral relationship, to address Lithuanian concerns about security, Afghanistan and Guantanamo detainees, and to remind Lithuanian officials that important post-Holocaust issues are still not adequately addressed. You are scheduled to meet with Foreign Minister Usackas for an informal dinner at his house near Utena, a town north of Vilnius; Prime Minister Kubilius plans to attend as well. Lithuania has been a staunch U.S. partner, sending troops to Kosovo, Iraq and Afghanistan. However, the GOL has recently expressed concern about delays in NATO planning for Baltic defense. The financial crisis has caused deep cuts in government budgets, including military expenditures. Nevertheless, Lithuania remains committed to the PRT it heads in Afghanistan's Ghor Province, but is frustrated by the difficulties it has encountered in finding partners to fund development projects there. After being one of the first EU countries to agree in principle to accept Guantanamo detainees for resettlement, President Grybauskaite is reconsidering the issue. Grybauskaite, in office just a few weeks, is more oriented to Brussels than to Washington, though she has said the transatlantic relationship remains crucial. Usackas may well raise Grybauskaite's desire to meet with the President at UNGA. End Summary.

Afghanistan

¶2. (C) Lithuania has led the PRT in Ghor province since 2005, and currently stations about 250 troops in Afghanistan. Despite the country's financial difficulties (which have severely hit the government budget), the GOL remains committed to its role in Afghanistan. However, limited resources and lack of experience force the GOL to seek the help of partners in completing development projects in Ghor province. Lithuania continues to seek partners to fund a paved runway at Chaghcharan airport capable of handling C-130 aircraft; the Asian Development Bank, which has agreed to partial financing of the project, has reportedly said that reconstruction of the runway to those specifications would not go forward if the rest of the 10 million USD required to complete the project was not in hand by September 30. FM Usackas recently underscored Lithuania's hope to obtain CERP (U.S. Commander's Emergency Reconstruction Program) funding for the project. However, he also reiterated Lithuania's commitment to lead the PRT through 2013. We recommend that you thank Lithuania for its strong support in Afghanistan, encourage it to continue to seek development partners, and stress our commitment to help find such partners.

NATO and Baltic Defense

¶3. (C) Lithuania is strongly committed to NATO, as shown by its role in Afghanistan. President Grybauskaite said publicly in late July that NATO contingency plans for Baltic defense would not be ready for at least two years (we later learned this information came from outgoing NATO SecGen de Hoop Scheffer). We have reassured her staff that the U.S. is unwavering on its Article 5 commitment to its Allies, including the Baltics. We pointed out that NATO and EUCOM planning goes on constantly, and that EUCOM and the Baltic states have a number of exercises which build the capability to receive and stage Allied assistance should it ever be needed. You may wish to reiterate our Article 5 commitment to Lithuania.

Guantanamo Detainees

¶4. (C) Although Lithuania early on agreed in principle to accept one or two Guantanamo detainees for resettlement, President Grybauskaite is revisiting the issue. We understand the president does not want her first foreign-policy decision to be controversial, and accepting detainees might not be a good first step for her and could cost her valuable domestic political capital. She has left the door open, however, rather than making the easier political decision to say no immediately. We recommend that you encourage the GOL to send a team to Washington and Guantanamo so it will have all of the information it needs to make its decision.

Economic Issues

¶5. (U) After years of strong growth, the economy has reversed course sharply. The Statistics Department reported a 22.4 percent contraction in GDP for the second quarter. The IMF estimates a year-on-year decline of 16-20 percent of GDP for all of 2009. Unemployment levels increased from 4.9 percent in the first quarter of 2008 to 11.9 percent in the first quarter of 2009. As revenues decline, the government's budget deficit is growing, despite earlier budget cuts and tax increases. The GOL slashed spending by approximately 15 percent at the beginning of this year, followed by a further 1.2 billion USD of additional cuts in May and a 77 million USD cut on July 23rd. The GOL is likely to add cuts of another 300 million USD in the fall. Further cuts are likely to be made to civil service salaries (already decreased), pensions, maternity benefits and allocations for parents. The prime minister has said that the GOL would consider laying off 4,000 public-sector employees, approximately 20 percent of total staff. External borrowing, already a challenge, became more difficult -- and expensive -- following Standard and Poor's March 24 lowering of Lithuania's sovereign credit rating to BBB/A-3 from BBB plus/A-2.

¶6. (U) The United States ranks 11th in Foreign Direct Investment (FDI) in Lithuania. U.S. direct investment stands at 371 million USD, or 2.8 percent of total FDI, trailing well behind neighboring and other European countries. At the corporate level, though, Philip Morris, Kraft and Mars are among the largest single foreign investors in Lithuania.

Russia

¶7. (U) Lithuania's relations with Russia remain difficult, although the Russian ethnic minority is only six percent and has access to Lithuanian citizenship. Lithuania and its people were very concerned about Russian aggression in Georgia last August. Nevertheless, the GOL has been working

to strengthen its diplomatic relationship with Russia, and to lessen distrust on both sides, by focusing on small, mutually beneficial steps. President Grybauskaite has called for toning down the rhetoric. Russia is Lithuania's largest trading partner; Lithuania is fully dependent on Russia for its natural gas supply and largely dependent on Russia for oil imports. Looking ahead, Lithuania's Ignalina Nuclear Power Plant (a Chernobyl-style Soviet-era facility) will close on December 31, 2009, under the terms of its EU accession agreement. Lithuania presently has no replacement ready and has no option to replace this electrical power other than increased reliance on Russian resources. Lithuania is uncomfortable with Russia maintaining so much leverage but developing alternative energy sources will take time.

Jewish issues

¶8. (U) No Lithuanian official likes to discuss post-Holocaust issues. Lithuania has struggled to deal with the effects of the Holocaust and the involvement of Lithuanians in it. This embassy has been deeply engaged with the GOL to push for the restitution of Jewish communal property and for the protection of a historic Jewish cemetery in the Snipiskes neighborhood of Vilnius. Lithuania is one of the few countries in Europe that has not resolved the issue of communal Jewish property confiscated by Nazi or Soviet occupation forces. Prime Minister Kubilius recently sent a restitution bill to the Seimas (parliament), but the local and international Jewish communities have rejected it, saying they were not consulted about the compensation plan, that the amount of compensation included in the bill was inadequate and that the payment mechanism was unspecified. We are working with the GOL, the Seimas and the Jewish communities to improve the bill. We recommend that you welcome the progress Lithuania has made in addressing this issue, but that you also note U.S. concerns about the limitations in the GOL's current proposal. International Jewish organizations, including those in the U.S., are concerned about the small amount of compensation and that it includes only two of the many communal properties stolen from the Community and now held by the Lithuanian Government.

¶9. (U) The GOL in May took an important and welcome step in unilaterally protecting from development most of the site of the historic Jewish cemetery in the Snipiskes area of Vilnius. That cemetery was the main burial ground for Vilnius's large Jewish community for several centuries. While applauding the GOL's recent action, we continue to urge the government to work with international Jewish groups to ensure that the cemetery is protected and appropriately memorialized in compliance with Jewish law.

¶10. (U) We very much look forward to seeing you in Lithuania. This is a beautiful time of year in Lithuania, and we wish you safe travels.
LEADER